



SECURITIES

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01-01-02 AND ENDING 12-31-02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

OFFICIAL USE ONLY

Orca Capital Corporation

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

2524 NW Pettygrove

(No. and Street)

Portland

Oregon

97210

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Norman B. Duffett

(503) 227-3055

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Geffen, Mesher & Company, P.C.

(Name - if individual, state last, first, middle name)

888 SW Fifth Avenue, Suite 800

Portland,

Oregon

97204

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED
MAR 10 2003
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FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Norman B. Duffett, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Orca Capital Corporation, as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Norman B. Duffett
Signature

President
Title

Meghan R Horwitz
Notary Public



This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of operations.
- ☒ (d) Statement of Changes in cash flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent auditors' report on internal accounting control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ORCA CAPITAL CORPORATION

FORM X-17A-5 PART IIA

**OF THE FOCUS REPORT OF THE
SECURITIES AND EXCHANGE COMMISSION**

YEAR ENDED DECEMBER 31, 2002

ORCA CAPITAL CORPORATION

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**GEFFEN
MESHER**
& COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS CONSULTANTS

Board of Directors
Orca Capital Corporation
Portland, Oregon

We have audited the accompanying statement of financial condition of Orca Capital Corporation as of December 31, 2002, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orca Capital Corporation as of December 31, 2002, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 8 and 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Geffen, Masher & Company, P.C.

January 14, 2003



ORCA CAPITAL CORPORATION

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2002

Assets

Cash and cash equivalents	\$ 75,787
Accounts receivable	13,488
Equipment, net of accumulated depreciation \$84,019	31,420
Other assets	1,140

\$ 121,835

Liabilities

Accounts payable and accrued expenses	\$ 4,032
Current portion of long-term debt	2,803

Total current liabilities 6,835

Long-term debt, less current portion 12,529

Commitments and contingencies

Shareholder's equity

Common stock, no par; stated value \$4 per share; 15,000 shares authorized, 11,685 shares issued and outstanding	46,740
Additional paid-in-capital	120,146
Deficit	(64,415)

Total shareholder's equity 102,471

\$ 121,835

ORCA CAPITAL CORPORATION

STATEMENT OF OPERATIONS

Year Ended December 31, 2002

Revenues

Success fees	\$ 385,998
Advisory fees	52,430
Interest income	582
Gain on disposal of equipment	12,637
Other income	6,758
	<hr/>
	458,405

Expenses

Wages	153,625
Payroll taxes	11,224
Employee benefits	40,958
Advertising	895
Contributions	510
Depreciation	8,405
Dues and subscriptions	8,493
Insurance	5,758
Marketing and promotion	16,028
Miscellaneous	3,835
Postage	1,408
Professional fees	35,458
Regulatory fees	781
Rent	12,127
Repairs and maintenance	985
Supplies and printing	3,253
Taxes and licenses	4,696
Technology	5,864
Telephone	6,576
Training and seminars	595
Travel and entertainment	8,180
	<hr/>
	329,654

Net income	\$ 128,751
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ORCA CAPITAL CORPORATION

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2002

	<u>Common stock</u>		Additional paid-in- capital	Deficit	Total
	Shares	Amount			
Balance, beginning of year	11,685	\$46,740	\$120,146	(\$ 121,942)	\$ 44,944
Net income				128,751	128,751
Shareholder contributions				12,100	12,100
Shareholder distributions				(83,324)	(83,324)
Balance, end of year	11,685	\$46,740	\$120,146	(\$ 64,415)	\$ 102,471

ORCA CAPITAL CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2002

Year Ended December 31, 2002

Cash flows from operating activities

Net income \$ 128,751

Adjustments to reconcile net income to net cash provided by operating activities

Depreciation 8,405

Gain on disposal of equipment (12,637)

Change in operating assets and liabilities

Accounts receivable and other assets (1,604)

Accounts payable and accrued expenses (20,913)

Net cash provided by operating activities 102,002

Cash flows from investing activities

Proceeds from sale of equipment 19,640

Purchase of equipment (6,627)

Net cash provided by investing activities 13,013

Cash flows from financing activities

Net repayments on borrowings (993)

Distributions to shareholder, net of contributions (71,224)

Net cash used in financing activities (72,217)

Net increase in cash and cash equivalents 42,798

Cash and cash equivalents at beginning of year 32,989

Cash and cash equivalents at end of year \$ 75,787

Supplemental disclosure of cash flow information and non-cash investing and financing activities

Taxes paid \$ 3,074

Equipment acquired through additional debt \$ 22,352

ORCA CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2002

1. Line of business and significant accounting policies

Line of business

The Company principally provides private investment banking activities to clients in the Pacific Northwest. These activities include mergers and acquisitions, equity capital and financial advisory services. The Company also operates as a securities broker, specializing in brokering private placement offerings, and these activities are subject to certain regulatory requirements (see Note 2).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

Revenue from success fees and advisory services are recorded as fees when earned under the terms of the related agreements. Certain success fee arrangements include contingency provisions and it is the Company's policy to recognize these fees as income when received.

Cash equivalents

Cash equivalents are funds in a money market account and are recorded at cost, which approximates fair value. The Company considers short-term, highly liquid investments with an original maturity date of three months or less to be cash equivalents.

Equipment

Equipment is stated at cost. Depreciation is being provided on an accelerated method over the estimated useful lives of the related assets.

Advertising

The Company expenses non-direct response advertising costs when incurred.

Income taxes

The Company, with the consent of its shareholders, has elected to be treated as an "S" Corporation under the Internal Revenue Code. Instead of paying corporate income taxes, the shareholders of an "S" Corporation are taxed individually on the Company's taxable income. Therefore, no provision or liability for corporate income taxes has been included in these financial statements.

ORCA CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2002

2. Net capital

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. As a result, the minimum net capital required is the greater of \$5,000 or 1/15th of aggregate indebtedness, as defined. On December 31, 2002, the Company had net capital and required net capital of \$56,423 and \$5,000, respectively, and a ratio of aggregate indebtedness to net capital of .34 to 1. Net capital and required net capital may fluctuate on a daily basis.

3. Long-term debt

Note payable, bank, monthly payments of \$331 including interest at 7.99%, collateralized by automobile, guaranteed by shareholder, due 2007

\$ 15,332

Principal payments for each of the five years subsequent to December 31, 2002 and thereafter are as follows:

Year ending December 31,	Amount
2003	\$ 2,803
2004	3,036
2005	3,288
2006	3,560
2007	2,645
	\$ 15,332

4. Commitments

Leases

The Company leases certain equipment under leases, which expire through December 2003, and are accounted for as operating leases. Future minimum lease payments under the leases for the year ending after December 31, 2002 is approximately \$15,000.

5. Employee benefit programs

The Company maintains a 401(k) plan and a money purchase pension plan for the benefit of all employees meeting certain eligibility requirements. Under terms of the 401(k) plan, the Company has the option to match all or a portion of an employee's voluntary contribution. The Company did not make a contribution to the 401(k) plan during the year ended December 31, 2002. Under the terms of the money purchase pension plan, the Company shall contribute 3% of each eligible participant's salary to the plan. During 2002, the Company contributed \$29,200 to the money purchase pension plan.

ORCA CAPITAL CORPORATION
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

YEAR ENDED DECEMBER 31, 2002

Net capital

Total shareholder's equity \$ 102,471

Less

Nonallowable assets

Accounts receivable 13,488

Equipment 31,420

Other assets 1,140

46,048

Net capital \$ 56,423

Aggregate indebtedness

Accounts payable and accrued expenses and other liabilities \$ 19,364

Computation of basic net capital requirements

Minimum net capital required \$ 5,000

Excess net capital \$ 51,423

Excess of net capital at 1,000% \$ 54,486

Ratio of aggregate indebtedness to net capital .34 to 1

Reconciliation with Company's computation

There was no material difference between these computations and the computation included in the Company's Part IIA of Form X-17a-5 unaudited report as of December 31, 2002.

ORCA CAPITAL CORPORATION

EXEMPTION FROM RESERVE REQUIREMENTS UNDER RULE 15C3-3

YEAR ENDED DECEMBER 31, 2002

Exemptive provisions

The Company is exempt from Rule 15c3-3 because the Company does not receive or hold any customer securities or cash.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL
REQUIRED BY SEC RULE 17A-5**

Board of Directors
Orca Capital Corporation
Portland, Oregon

In planning and performing our audit of the financial statements of Orca Capital Corporation for the year ended December 31, 2002, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3(e). Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

Making quarterly securities examinations, counts, verifications, and comparisons.

Recordation of differences required by Rule 17a-13.

Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of a control and the practices and procedures are to provide management with reasonable, but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

ORCA CAPITAL CORPORATION

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17A-5 (CONTINUED)

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they might become inadequate because of changes in conditions and that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate as of December 31, 2002, to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Orca Capital Corporation to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control, and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended for the use of the Board of Directors, management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Geffen, Mecher & Company, P.C.

January 14, 2003